



State of Vermont

AGENCY OF HUMAN SERVICES

OFFICE OF THE SECRETARY
103 South Main Street
Waterbury, Vermont 05671-0204

Mr. Robert Aaronson
Director, Division of Cost Allocation
Department of Health and Human Services
26 Federal Plaza, Room 41-122
New York, NY 10278

Dear Mr. Aaronson:

The purpose of this letter is to update the Division of Cost Allocation (DCA) on the progress to date with the Agency of Human Services (AHS) re-organization that began on July 1, 2004. As we have explained, AHS is in the process of re-organizing its nine departments into five departments. As a result, AHS is in the process of amending its cost allocation plans.

We have included updated cost allocation plan narratives for the Department of Aging and Independent Living (DAIL), the Office of Vermont Health Access (OVHA), the Agency of Human Services (AHS) Central Office, and the Vermont Department of Health (VDH). All of these plans, except for VDH, are in the new AHS-wide cost allocation plan format. We will be submitting federal revenue estimates shortly, as soon as costs are available for the end of the first quarter of FY2005, but we expect budget neutrality. These plans will be effective as of July 1, 2004.

We are not submitting an updated cost allocation plan for the Department for Children and Families (DCF) effective July 1st. The vast majority of changes at DCF will not be effective until October 1, 2004. As a result we are making minor modifications to the existing SRS and PATH cost allocation plans and will submit new plans effective as of October 1, 2004 by the end of that quarter.

An explanation of the status of each Department plan is contained below.

AHS (Secretary's or Central Office)

An updated narrative for AHS is attached, that reflects the most up to date organization of the Secretary's Office. This plan is designed to allocate costs to the other Departments.

OVHA

Beginning July 1, 2004, Medicaid functions are being performed by the Office of Vermont Health Access (OVHA). We have submitted a new narrative to reflect this change. Previously, these functions were performed by PATH. However, while these staff are now designated as "OVHA" for the most part functions have not changed. As a result, we do not expect a change in Medicaid

claiming as a result of the reorganization.

DAIL

We are submitting an updated cost allocation plan for the Department of Aging and Independent Living (DAIL) for review and approval effective July 1, 2004. DAIL (formerly the Department of Aging and Disabilities) now includes the Division of Developmental Services formerly under the Department of Disabilities and Mental Health. This updated narrative illustrates how the newly added Division's costs are grouped and then allocated using the same previously approved allocation methodologies included in the previously approved cost allocation plans.

VDH

We are submitting an updated cost allocation plan for the Vermont Department of Health (VDH) for review and approval effective July 1, 2004. VDH (formerly abbreviated as DOH) now includes the Mental Health Division and Vermont State Hospital, both formerly under the Department of Disabilities and Mental Health (DDMH). This updated narrative illustrates how the newly added Mental Health Division's costs are grouped and then allocated using the same previously approved allocation methodologies included in the previously approved DDMH plan. Please note that none of the VDH cost pools or allocation methods have changed. Also note that the narrative for this plan is in the previous format; it will be updated during the next quarter using the new AHS template that is being used for the other plans submitted for this period. We will submit a financial analysis shortly, as necessary, but do not expect any fluctuations based on the changes we have made.

DCF

Below is an explanation of the specific modifications that are being made to the current PATH and SRS plans (that will be combined in the new DCF plan) so that claiming occurs as appropriate for the first quarter of FY2005. We anticipate a slight decrease in funding to Title IV-E as a result of these changes.

- Approximately 3 staff who were formerly in the Commissioner's Office at PATH are not being paid out of AHS appropriations. As a result, these costs will not show up on financial data used to allocate costs incurred at DCF and will be allocated using the new AHS plan.
- Again, as mentioned above, while some staff are now technically working for OVHA rather than PATH, their functions did not change. The rest of the Medicaid staff will officially become OVHA staff as of July 1, 2004. As a result, there will be no material effect on the Medicaid claim for the first quarter. These staff do not show up in DCF expenditure data as of July 1st.
- There are 4 former SRS staff (the Commissioner, Principal Assistant, and 2 Administrative Assistants) that are now working on multiple DCF functions, not just those supporting the former SRS functions only. As a result, their costs will be removed from the SRS cost allocation plan for the first quarter of FY2005 and not claimed to any federal funding sources.
- Six new capped grants have been moved from AHS or VDH to DCF. All of these grants will continue to have the appropriate costs allocated to them directly. In some cases, while the grant now falls under DCF, staff appropriation changes will not occur until October 1, 2004. These grants are as follows:

- Children's Upstream Services Program (CUPS)
- Family, Infant, and Toddler Program
- Parent/Child Centers
- Healthy Babies
- Head Start
- Success by Six

In summary, included for your review are:

- 1) Cost Allocation Plan Narratives for DAIL, AHS, VDH, and OVHA. Please note that we are updating the format used for the narratives so that all AHS plans will be prepared using the same format.
- 2) Organizational Charts for DAIL, AHS, VDH, and OVHA.

We are working to determine any cost impacts of the new plans, and will provide you with this information as soon as possible. We also believe that all of these plans will require additional amendments for the quarter ending December 31, 2004, as the reorganization continues.

Once again, we appreciate your assistance with this process. If you have any questions, please do not hesitate to contact Ira Sollace at (802) 241-2949.

Sincerely,

Charles Smith
Secretary
Agency of Human Services

cc: Ira Sollace
Allan Merritt
Tanya Dougherty
David Yacovone
Paul Dailey, VDH
Jim Giffin, DAIL
Andy Pallito, DOC
David Cohen, DCF
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